

SECTION J

APPENDIX G - PERFORMANCE GUARANTEE

FOR VALUE RECEIVED, and in consideration of, and in order to induce the U.S. Department of Energy (the "Government") to enter into Contract DE-AC07-97ID13481 relating to the Advanced Mixed Waste Treatment Project (the "Contract") dated as of November 19, 1996, by and between the Government and BNFL Inc. (Contractor), the undersigned, British Nuclear Fuels plc, (herein called "Guarantor"), a public limited company organized in England, with its registered office at Risley, Warrington, Cheshire, England, subject to the following conditions, hereby guarantees to the Government the full and prompt payment and performance of all obligations, accrued and executory, which Contractor presently or hereafter may have to the Government under the Contract. Guarantor further agrees to indemnify the Government against any losses the Government may sustain and expenses it may incur as a result of the enforcement or attempted enforcement by the Government of any of its rights and remedies under the Contract, in the event of a default by Contractor thereunder, and/or as a result of the enforcement or attempted enforcement by the Government of any of its rights against Guarantor hereunder. Guarantor agrees that Contractor shall have the full right, without any notice to or consent from the Guarantor, to make any and all modifications or amendments to the Contract without affecting, impairing, or discharging, in whole or in part, the liability of Guarantor hereunder.

Guarantor hereby expressly waives all defenses which might constitute a legal or equitable discharge of a surety or guarantor, and agrees that the Guarantee shall be valid and binding upon Guarantor regardless of (i) the reorganization, merger or consolidation of Contractor into or with another entity, corporate or otherwise, or the liquidation or dissolution of Contractor, or the sale or other disposition of all or substantially all of the capital stock, business or the sale to any other person or party, or (ii) the institution of any bankruptcy, reorganization, insolvency, debt arrangement or receivership proceedings by or against the Contractor, or the adjudication of Contractor as bankrupt, or (iii) the assertion by the Government against Contractor of any of the Government's rights and remedies provided for under the Contract, including any modification or amendments thereto, or under any other document(s) or instrument(s) executed by Contractor related to the Contractor's performance of the contract, or existing in the Government's favor in law, equity, or bankruptcy.

Guarantor further agrees that its liability under this Guarantee shall be continuing, absolute, primary, and direct, and that the Government shall not be required to pursue any right or remedy it may have against Contractor or other Guarantors under the Contract, or any modifications or amendments thereto, or any other document(s) or instrument(s) executed by Contractor relating to the Contractor's performance of the contract, or

otherwise (and shall not be required to first commence any action to obtain any judgement against Contractor) before enforcing this Guarantee against Guarantor, and that Guarantor will, upon demand, pay the Government any amount, the payment of which is guaranteed hereunder and the payment of which by Contractor is in default under the Contract or under any other documents or instruments executed by Contractor relating to the Contractor's performance of the contract, and that Guarantor will, upon demand, perform all other obligations of Contractor, the performance of which by Contractor is guaranteed hereunder.

Guarantor further warrants and represents to the Government that the execution and delivery of this Guarantee is not in contravention of Guarantor's Articles of Organization, Charter, by-laws and applicable law; that the execution and delivery of this Guarantee, and the performance thereof, has been duly authorized by Guarantor's Board of Directors, Trustees, or other management board, as applicable; and that the execution, delivery, and performance of this Guarantee will not result in a breach of, or constitute a default under, any loan agreement, indenture, or contract to which Guarantor is a party or by or under which it is bound.

In the event the capital stock of the Contractor or any of its business interests or assets associated with the performance of the Contract is transferred, assigned, or sold by the Guarantor, the transferee, assignee, or purchaser shall be required by Contract to accept, assume, and perform, without condition or limitation, all of the duties, responsibilities, and obligations of the Guarantor in this Performance Guarantee, except as may otherwise be approved in writing by the Contracting Officer.

With the written consent of the Government, Guarantor may substitute for this Guarantee a payment and performance bond issued by a surety satisfactory to the Government.

Guarantor's obligations hereunder shall terminate and be of no further force or effect upon the earlier of: (i) the full payment and performance of all obligations of the Contractor to the Government under the Contract; or (ii) with the consent of the Government, the substitution of alternative security in lieu of this Guarantee as provided above.

The aforesaid Guarantee is for exclusive benefit of the Government, and in no event shall inure to the benefit of any other parties.

By its receipt hereof, the Government agrees that nothing in this Guarantee shall in any way limit the obligations or enlarge the rights of the Government with respect to or against the Contractor under the Contract.

Notwithstanding anything to the contrary contained herein, the liability of Guarantor hereunder shall be subject to and limited by the applicable provisions of the Contract; and shall not exceed 25% of the total price for the performance of all Phases of the work under the Contract completed or executory, including the price for treatment of optional quantities of waste identified

in Clause B.3 of the Contract to the extent such options have been exercised by the Government, and further provided, however, that Guarantor's obligations hereunder shall in no event continue after (a) a termination of the contract for the convenience of the Government, or (b) Phase I, but only if more than one contractor was selected to perform Phase I and the Contractor was not selected to perform Phases II and III for reasons other than the Contractor's default of its Phase I obligations.

Guarantor has read and consents to all terms and conditions of the Contract as they relate to its obligations established herein.

IN WITNESS THEREOF, Guarantor has caused this Guarantee to be executed by its duly authorized officer, and its corporate seal to be affixed hereto on 7 FEBRUARY 1997.

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GUARANTOR J. Taylor (DATE)

BY: JOHN J TAYLOR
CHIEF EXECUTIVE
BRITISH NUCLEAR FUELS PLC.

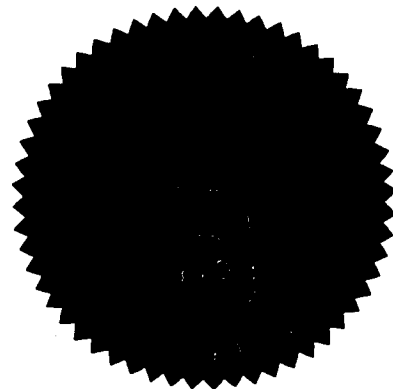
ATTEST: Graham L Watts
GRAHAM L WATTS
COMMERCIAL DIRECTOR BRITISH NUCLEAR FUELS PLC.

*This Performance Guarantee replaces the Performance Guarantees signed on November 19, 1996, and January 27, 1997, and is effective as of November 19, 1996.

J. Taylor

Director

Kevin J. [Signature]
Secretary



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Guarantor hereby expressly waives all defenses which might constitute a legal or equitable discharge of a surety or guarantor, and agrees that the Guarantee shall be valid and binding upon Guarantor regardless of (i) the reorganization, merger or consolidation of Contractor into or with another entity, corporate or otherwise, or the liquidation or dissolution of Contractor, or the sale or other disposition of all or substantially all of the capital stock, business or the sale to any other person or party, or (ii) the institution of any bankruptcy, reorganization, insolvency, debt arrangement or receivership proceedings by or against the Contractor, or the adjudication of Contractor as bankrupt, or (iii) the assertion by the Government against Contractor of any of the Government's rights and remedies provided for under the Contract, including any modification or amendments thereto, or under any other document(s) or instrument(s) executed by Contractor related to the Contractor's performance of the contract, or existing in the Government's favor in law, equity, or bankruptcy.

Guarantor further agrees that its liability under this Guarantee shall be continuing, absolute, primary, and direct, and that the Government shall not be required to pursue any right or remedy it may have against Contractor or other Guarantors under the Contract, or any modifications or amendments thereto, or any other document(s) or instrument(s) executed by Contractor relating to the Contractor's performance of the contract, or otherwise (and shall not be required to first

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commence any action or obtain any judgement against Contractor) before enforcing this Guarantee against Guarantor, and that Guarantor will, upon demand, pay the Government any amount, the payment of which is guaranteed hereunder and the payment of which by Contractor is in default under the Contract or under any other documents or instruments executed by Contractor relating to the Contractor's performance of the contract, and that Guarantor will, upon demand, perform all other obligations of Contractor, the performance of which by Contractor is guaranteed hereunder.

Guarantor further warrants and represents to the Government that the execution and delivery of this Guarantee is not in contravention of Guarantor's Articles of Organization, Charter, by-laws and applicable law; that the execution and delivery of this Guarantee, and the performance thereof, has been duly authorized by Guarantor's Board of Directors, Trustees, or other management board, as applicable; and that the execution, delivery, and performance of this Guarantee will not result in a breach of, or constitute a default under, any loan agreement, indenture, or contract to which Guarantor is a party or by or under which it is bound.

In the event the capital stock of the Contractor or any of its business interests or assets associated with the performance of the Contract is transferred, assigned, or sold by the Guarantor, the transferee, assignee, or purchaser shall be required by Contract to accept, assume, and perform, without condition or limitation, all of the duties, responsibilities, and obligations of the Guarantor in this Performance Guarantee, except as may otherwise be approved in writing by the Contracting Officer.

With the written consent of the Government, Guarantor may substitute for this Guarantee a payment and performance bond issued by a surety satisfactory to the Government.

Guarantor's obligations hereunder shall terminate and be of no further force or effect upon the earlier of: (i) the full payment and performance of all obligations of the Contractor to the Government under the Contract; or (ii) with the consent of the Government, the substitution of alternative security in lieu of this Guarantee as provided above.

The aforesaid Guarantee is for exclusive benefit of the Government, and in no event shall inure to the benefit of any other parties.

By its receipt hereof, the Government agrees that nothing in this Guarantee shall in any way limit the obligations or enlarge the rights of the Government with respect to or against the Contractor under the Contract.

Notwithstanding anything to the contrary contained herein, the liability of Guarantor hereunder shall be subject to and limited by the applicable provisions of the Contract; and shall not exceed 25% of the total price for the performance of all Phases of the work under the Contract

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completed or executory, including the price for treatment of optional quantities of waste identified in Clause B.3 of the Contract to the extent such options have been exercised by the Government, and further provided, however, that Guarantor's obligations hereunder shall in no event continue after (a) a termination of the contract for the convenience of the Government, or (b) Phase I, but only if more than one contractor was selected to perform Phase I and the Contractor was not selected to perform Phases II and III for reasons other than the Contractor's default of its Phase I obligations.

Guarantor has read and consents to all terms and conditions of the Contract as they relate to its obligations established herein.

IN WITNESS THEREOF, Guarantor has caused this Guarantee to be executed by its duly authorized officer, and its corporate seal to be affixed hereto on January 27, 1997.

*BY GUARANTOR: *Roland A. Langley*

ATTEST:

*This performance guarantee replaces the performance guarantee signed on November 19, 1996, and is effective as of November 19, 1996.